PTC India Financial Services Limited

"PTC India Financial Services Limited- Investor & Analyst Meet"

May 22, 2023, Mumbai

Management: Dr. Pawan Singh – Managing Director and Chief Executive Officer
Mr. S. Siva Kumar – Executive Director
Mr. Sanjay Rustagi – Chief Financial Officer
Mr. Sitesh Sinha – Executive Vice President
Mr. Abhinav Goyal – Vice President

Abhinav Goyal: Good afternoon, I am Abhinav Goyal. I am taking care of the Investor Relationship of PTC Financial. On behalf of the company, I welcome you all. So let me introduce you, today we are having our Senior Management Team. On my left side, in middle we are having our MD and CEO, Dr. Pawan Singh. Then on right of him, we are having our Executive Director, Mr. S. Siva Kumar. And on the left side of our MD is, Mr. Sanjay Rustagi. He is our Chief Financial Officer. On my right side, we are having our Head Credit, Mr. Sitesh. Sinha. So again, I welcome you all for our Investor Meet.

So although, I said good afternoon but it should be good morning because it's a new start for the company, with new passion, with new thoughts, with new goal and with new commitment to deliver more. So today, we are having a small presentation to you all, it is the table of content how our today presentation will go. It is our company at a glance.

So last year in financial year ‘23 that is from 1st of April 2022 till 31st March 2023. We sanctioned loans of Rs. 3,854 crores. We are having a very good I should say, better than good debt/equity ratio. It is just 2.09x which indicating the cushion being available to the company for further growth and which is being supported by our capital adequacy ratio of 33.05%. As per the regulatory guideline, it should be ideally not less than 15% and we are more than double of what's being required.

We had a disbursement of Rs. 2,253 crores and on the -- below, credit rating of the company is being reflected. We, as on date being rated by CRISIL and ICRA, the most credible rating agencies of the country. We have always been rated since last four, five years as A+ and despite all hearsay, all discussions we still been rated as A+. So that shows the worthiness, the credit worthiness, the strength we are having in our system, in our credit appraisal and in our performance.

It is our quarterly snapshot. Our CFO will explain in detail at a later part of his presentation. It is about us. We are a listed NBFC, we are listed on both the exchanges, NSE as well as BSE. Incorporated in 2006, we are having a small team, not a much big team. We are having a team of just around 50 persons, but all are very much committed to the company, very well qualified and very dedicated to achieve the vision of the company, working hard. And the team is being supported by a highly experienced professionals having decades of experience of various PSU, leading organizations.

It is our milestone. We as of now can visualize that now in coming year, every year there would be a new milestone. We are working hard on that. So history is here. Now we are here to discuss about the future. It is the purpose for which our company is being formed which we are supposed to deliver. So we perceive ourselves as a green sustainable infrastructure finance company.

Our vision is not only to generate the value to our stakeholder, but also to support for the economy, to support the humanity, to support our generation to come in terms of carbon reduction, in terms of clean environment, in terms of clean water, water to all, in terms of preserving forests, in terms of coal reduction. Those issues we are touching and those kinds of projects we are focusing to fund, to support, but of course, that should be sustainable project as we are a profitable organization and believe that we should always be a very good profitable organization.

These are our product and services. We are into many debt financing. Other than that we do some green space activity also and we do advisory. So advisory to various corporates, how on their various business function and by giving our advisory, we do some value-addition to those corporates. And of course, we take some money out of those advisory for our organization.

So these are the key functions of the organization being handled by me. It is treasury - resource mobilization and asset liability management. We are comfortable in both these two functions. There are some other functions for which I request our Executive Director, Mr. S. Siva Kumar to take it forward and to elaborate more on business model of the company.

Over to you sir.

S. Siva Kumar: Thank you. Thank you Abhinav. Good afternoon and I welcome you once again.

Dr. Pawan Singh: Before you know, Siva Kumar has joined us. So all of you must be seeing him for the first time. He has joined us as ED Credit. And he is a well-known name in the credit and IT infrastructure sector. He has joined from -- he was the Chief General Manager of India Infrastructure Finance Company, IIFCL. And thousands of crores of credit in infrastructure has gone through his hands. He is known to be a very, very respected and sound professional. So over to you.

S. Siva Kumar: Thanks for good words, sir. I'll try to live up. I joined in March, towards the end of last financial year. PFS has a very robust infrastructure appraisal, credit appraisal and credit delivery monitoring system. And has got very good policies and the policies are adhered too in true manners. And it has a robust credit appraisal and business sourcing and credit appraisal system. And it has very effective monitoring and compliance and further disbursement all at arm's distance.

And the credit risk management is one of the highlights of PFS. Where we have a complete 360-degree analysis of the risk and risk reporting and risk monitoring over the lifecycle of the project is being done. And very sound early warning systems are there in line with the regulators requirements and also, we maintain very liquid cash flows and liquidity position has been one of the robust and very healthy liquidity management we have.

What makes PFS very unique is that, it's a focused attention to the customers and knowing all the terms of the entire lifecycle of the project with the promoter's background check and looking at the projects and the risks involved have been properly identified and mitigated and properly addressed at the beginning itself. And as I said, the very robust monitoring system is also there in the place.

Second is that we have been doing with the main focus on the green infra and the customer centric approach has been the mainstay of PFS. And PFS looks at – has got very good technical and the financial analyst who are there and who can analyze these projects and also go with identifying the risk and mitigating those risks have been the hallmark of PFS.

Next. As I said, risk management has been a cornerstone of PFS, and all the projects have been properly analysed from the risk management and risk management directly reports to our MD. And they give the kind of feedbacks at arm's distance and the risk reports are one of the -- has been duly followed and all the risk identification and mitigating measures implemented for mitigating are on a very sound footing, which actually indicates that the healthiness of our balance sheet with very minimum slippages.

Thank you.

Abhinav Goyal: Thank you so much, Siva, Sir. So, I request our MD sir to have some elaboration on our management outlook. Over to you, sir.

Dr. Pawan Singh: Very good evening to everybody. And I really appreciate that all of you have come here in overwhelming numbers to be here and your participation kind of gives us a lot of encouragement. So, thank you once more on behalf of PFS. So, quarter-to-quarter we have been coming and making our presentation. Before I dwell into some of the details, I just wanted to tell a couple of things which are the -- like every CEO, would like to give some silver lining. So, I must tell what are the silver lining this time which come into our attention.

First of all is that, at least on one ground I have been little apprehensive of facing all of you because you have been making requests for dividend. And at least I was happy that we went for the first time after a long period, declared a dividend of 10%. We could have done better, but this is the beginning and let me assure you on this front, you will not get discouraged and disappointed in future. It will be definitely reasonable and it will be definitely to the market expectation.

Second thing which is very important, which may not at the face of it look significant, but we unfortunately in our balance sheet four quarters back got disclaimer and this was a dampness in all respects. From that, last quarter we were able to move to modified opinion and happy to report that this time we have got no modified report and we have got broadly clean report. So this is a big development which we feel from all angles and especially gives lot of comfort to our lenders, that is our achievement. So that is the second thing which I wanted to draw your attention.

Third thing which I wanted to draw your attention is that, now our board is fully functional, that we have a good board, we have a positive board and fairly diversified in the sense that we have one person from, who was ex-secretary DPE, she used to oversee Corporate Governance in over 200 public sector companies, so she is there to put stamp on corporate governance issues. We have Mrs. Bharti who was ex-CMD of Corporation Bank, ex-ED of Canara Bank as one of the Board Members. And third we have Mr. N.B. Gupta who is Director Finance of India's largest NBFC balance sheet, PFC, a Charted Accountant. And huge experience in international borrowings.

So first time after long period like we have declared dividend. Shortly, we are going to raise $50 million loan from at a very good terms, from IIFCL-UK. And very soon the board meeting is happening and this proposal is going to be considered there.

On the other area, which I wanted to highlight, is that we have -- our commitment was to become a green infrastructure finance company and we are moving in that direction. Thermal assets we want to reduce, it was as I said five years back over 40% which end of the previous year was 10%. We wanted to do better, but certain resolutions are on pipeline and the impact of that will be felt in a quarter or two. But our intention is to become zero thermal company and it has come down to 6% now. And by end of this year, we want to become zero thermal, we want to be the part of the green transition economy. That is where we want to be focused and position ourselves.

On the operational front, yes, we have been able to maintain a good NIM. Our NIM has improved from 4% to 4.35% this time. On the spread, you will see there is a slight gap being in this quarter. But that is precisely because most of the banks increase their, rate, reference rate. We do mostly MCLR linked borrowing so they increased in the end of the third quarter and the beginning of the fourth quarter. And normally in our system, almost all my loans on the asset side are based on floating rate. So, I am able to pass on the cost of borrowing to the borrowers.

There was of course a little bit of time lag in that so my, I did two hikes but that happened in March. So full impact of that was not felt in the spread. So that we hope to cover up in the first quarter of the current year.

Yes, we are also engaged with various international institutions for doing more ECB borrowings and diversify our source of borrowing. On stress asset resolution front that has been our strength and most of our stress which you will find which has been reflected here. We are on the anvil of resolution. We have got offers which we have to take good decision. Very soon we will be taking decisions on that. And we have been not zero on provisioning because the less-and-less provisioning which we do I find, the more-and-more conservative we are becoming in provisioning.

So, we have been very, very, stiff as far as the provisioning goes. And of course, you will find a declining trend and the credit cost cycle is almost over. But you will find that some very insignificant amount of provisioning happens. One area of concern which you will have and I would like to address it up front, which I probably would have taken up in the Q&A but I thought let me address it here itself. And that concern is your concern and our concern. And that is the loan book growth which is a matter of, attention.

And but I am not taking any credit but at least last quarter, every quarter, last several quarters, six-seven quarters, my loan book has been declining. But I mean there is nothing to be proud of but at least this time we were able to hold it where it was. And there has been very insignificant increase but nevertheless, we have been able to hold it. And that is the area of concentration which will be our focus going forward.

We have strengthened our community with Mr. Siva Kumar joining here. He brings a lot of experience with him and we have a decent pipeline of all kinds of projects, transmission line, we have road HAM projects, we have wind and renewable projects. As part of the green transition, the Prime Minister has said that India will -- today we are about less than 2 gigawatt of renewable energy. And he said, by 2030, 500 gigawatt of renewable energy is what we are proposing. So there is a huge upside, huge demand and we are also targeting.

E-mobility is going to have a holistic kind of growth. We have already made a beginning there and that we have built up a good pipeline in e-mobility. We have entered the sector, water distribution. That is another area which we have picked up. We have also picked up the area of smart city. That is another area which we are trying to pick up areas in sustainability as much as not everywhere. But in the areas of sustainability, green infrastructure. Our firm believe is because if we compare our delinquency, at least the lending which we did in the last five years, none of our loans went into stress.

And apart from our strong credit underwriting, I think one reason for that has been that we have moved into an area which is green and our firm belief and our experience also was that what is good for environment is good for the economy also and that is good for economy is also good for the lender also. And this has been the theorem which we have been able to prove. And we will continue to work focus on that because normally an area which is focus of the government and which has a policy support, the delinquencies don't happen in those areas. If the policy support is not available to those areas.

So, like, when we talk about green transition, the economies which are going to go back, they have to be they will recede. There will be -- there could be carbon tax, there could be dampeners around that. And whereas the sectors which are going to be towards environment or sustainability, they are going to get a lot of policy support. So that is why we are focused in that area and huge pipeline exists.

So this is where we are moving away and hopefully with this balance sheet getting finalized, having declared dividend, having removed the qualifications from the balance sheet, given a reasonably decent number under the constraints and challenges. Not the best of the numbers, but consistently decent number in the face of challenges and constraints. Our disbursement in this quarter which went by was at least higher despite constraints in the previous quarter in the corresponding year.

The board being fully functional, I think the PFS would be able to play a significant role in the green economy of the country. And we are trying to scale up our book size. We have ambitious plan for the current year. We have a decent pipeline of sanctions and we have a huge ambition on the sanctions and disbursements. So hopefully, next year as I said in the beginning that we have been able to address at least one of your concerns of dividend. Probably, there we will come back to you and you will not have reason to get dissatisfied.

Thank you very much.

Abhinav Goyal: So, very well elaborated by MD, sir. And as in my initial talk I mentioned that we are here not only for making money but also for a lot of other objective also. So, one of the objectives is to make, contribute in making the country as a carbon neutral country in the globe. So I request Mr. Sitesh Sinha to kindly elaborate more on this aspect. Over to you, Sitesh ji.

Sitesh Sinha: Thank you, Abhinav. See just we last eight, nine years ago we have identified this is the ultimate objective of any organization and towards the environment. Meeting the, saving the environment is the goal. Despite that point of time central government doesn't have so much of focus. So we took initiative in funding the aggressive funding in wind and solar project. So cumulatively we have sanctioned Rs. 30,000 crores to that at least to achieve commissioning of more than about 15,000 MW.

Then secondly that with the policy support as our MD has said that the government policies are very lucrative for the change of environment or saving the environment. So e-mobility is a key concern area where the pollution from diesel or any other similar fuel is to be reduced. So we have started funding long-term funding for the e-mobility. We have sanctioned about 500 electric buses to be supplied over three states mainly in UP, Maharashtra and Gujarat.

So out of that we have sanctioned Rs. 558 crores and most of the thing has been disbursed. Something has left over which will be disbursed in next quarter. And of course the transmission which is a very green, corridor transmission line we have sanctioned and we have sanctioned about 4,500 circuit kilometre. And we have in terms of amount, we have sanctioned close to Rs. 3,600 crores.

So another sustainability for saving the environment is the water distribution and treatment. So under the Namami Gange, which is a sovereign fund project, have been specially established by this government eight year back. So the project has been taken up three, four years back only. So now out of that we have 362 MLD treated water, we have provided the facility so that can be discharged to the Ganga before it is being polluted. So we have in time to turn around to Rs. 500 crores amount and we are getting more proposals such proposal in that line.

And lastly another infra that which is the -- for our demand of the country for growth that is road and railway development and the port. In the road, in terms of our portfolio which is the third largest sector that is 157 kilometre of road network we have supported to develop. And we have the sanctions of Rs. 3,798 crores. And lastly port we have only few ports, we have sanctioned in last five years down the line. So that close to 43 million of tons cargo is being handled at one mainly in Odisha one port we have the running operational and total gross sanction in Odisha and other port is Rs. 708 crores. So that's the world environment here.

Next. So these are the marquee clients to whom we have funded. That they are the top players of their respective area, like in the green renewable energy, like Renew, Green Co, Hero Future Energy, Global Infrastructure Partners, the US Fund. These are the top 10 players in the market. And in the road sector, we have sanctioned the Dilip Buildcon, like Dilip Buildcon. Other transmission, there's only two companies active in India in private sector. That is, we have funded both of the group, Sterlite and Adani Transmission.

And the other electric bus, PMI is the major client. He's the number two electric bus supplier in India. So that's where we are trying to build our portfolio with the good, credible customers also. Next slide, Abhinav.

Abhinav Goyal: Yeah, so thank you very much, Sitesh-ji. So financial is, of course, one aspect which investors always look into, although it's a reflection of the historical performance. But yes, it gives a guidance how the company will perform in future. So today, we are having our Chief Financial Officer, Mr. Sanjay Rustagi. So I request to kindly take a lead over to you, Sanjay sir.

Sanjay Rustagi: This is the position of the cash flow as on 31st March, 2023. The company, as per the balance sheet of March, 2023, there are certain liabilities which we have to honour in the next coming period of three years. And there are certain receivables which is expected to realize in the next three years. So it is a summary of those statements of what is realizable and what is payable. And different of those receivables and payable demonstrate the cash flows, the net cash flows.

So these are giving the pictures of the net cash flows. With respect to the new funding, it's not taking care. So as Abhinav told or the MD sir told, there are a few proposals which we are taking over with banks. And we are hopeful to get these new sanctions in the next quarter. We will be able to fund those. So as far as it is giving a clear picture. And during the last year, we are a little bit, there are certain restrictions in the drawing the money from the current accounts. And we are hopeful that those will be free flow in the times to come from this year on.

These are the key balance sheet indicators which have been given here. The loan sanction for the quarter ended March ‘23 is Rs. 1,563 crores, against the December quarter, Q3 quarter of Rs. 1,131 crores. On year-to-year basis, our loan sanction is in the similar range of Rs. 3,854 crores against the previous year of Rs. 4,150 crores. The loan disbursement for the FY ‘23 is Rs. 2,253 crore. It has been a little bit come down due to non-functioning of the board during the first two quarters and part of the third quarter.

And as compared to the last year disbursement was of Rs. 3,888 crores. The credit, the loan book has been Rs. 7,339 crores against previous year Rs. 8,686 crores. The capital adequacy ratio is 33.05% against the 26.71%. And this is the next slide.

The key operational indicators, the net interest income for the entire is Rs. 334 crores against Rs. 344 crores. It is almost in the similar range. The yield on the portfolio is also the 10.51% against the 10.60%. The cost of borrowed fund has increased a little bit, whereas in line with global trend, there is an increase in the cost of borrowing for other companies is to the extent of 100 bps.

The spread is 2.83%. The earning per share has improved to Rs.2.74 against Rs.2.02. The debt equity ratio has improved to 2.09 times against 3.14 times. The return on the network has improved to 7.47% against 5.93%. The return on assets has also improved from 2.05% against 1.24%.

This is the synopsis of the profit and loss account. If we see the profit after tax has improved to Rs. 175.81 crores against Rs. 129.98 crores. As compared to the last quarter of the previous financial year, the profit has increased to Rs. 36.41 crores against Rs. 24.98 crores. So it is almost 50% increase in the profit.

Next slide. This is the exposure, the operational performance, the sector-wise outstanding. I request Sitesh Ji to explain some of these.

Sitesh Sinha: Thank you. So this is a slide with the break-off of sector portfolio in terms of that we have been the green energy focused company. So today that RE sector constitute about 30%, that is 28.89%. Then next is that transmission, including private and state sector. It's all together close to Rs. 1,596 crores, that become 21.76%. And the third is the road sector. We have outstanding is Rs. 3,786 crores, which makes about 51% of our book size.

And there are small portion, a very small portion left over for thermal hydro. As our MD said, this is less than 7%. This has been 6.49%. And that other infra, we started funding new ventures, including sustainable infra and some new infrastructure that constitute 6% to 8% and 8% to 9%. And the rest of our exposure into state power utility, that is about 23.41% of our total overall book size.

Next slide. So this is in terms of quarter-wide movement of all sectors. If you see that we have almost constant in terms of all figure variation in terms of percentage, hardly any substantial change in any figures, except thermal it was starting Q4 was very higher number which are reduced to very less number. So other things are very parameter constant in terms of percentage growth and we are endeavour to make it a base number higher. And in terms of this is the earlier slide was in terms of rupees, this is in terms of percentage figure. So thank you.

Abhinav Goyal: So Sanjay sir, would you like to elaborate it?

Sanjay Rustagi: So this is the Key ratio movements that has been given there. During the last five quarters, how we have moved, whether it's a yield. So yield has been from 10.54% to improve to 10.61%. The cost of borrowing has increased from 7.6% to 8.11% and the NIM has improved from 4.30% to 4.35%. So this is the briefs about the financial figures.

Abhinav Goyal: So one important aspect of which we like to emphasize here is that our NIM has been increased. So it demonstrates that although there is an increase in the borrowing cost in the market, which can be recognized from the fact that from 7.60% it has been improved, increased to 8.11%. But our yield has increased more in comparison. So that shows our strength, that shows our commitment and that shows our efficiency. We are having negotiations with our customers and being able to bring more what our bankers have taken more from us. So net-to-net, if we compare what we paid and what we received, we are on the higher side in terms of receipts. Over to you, sir.

Sanjay Rustagi: Yeah, one more thing I just want to point it out here. Since it's a pass-through cost, so the cost of borrowing has increased. And it has been passed on to the customer as well. And during the last week of Q4, we have raised our PFS benchmark rate by 25 bps, that is in line with the market trends only.

Yeah, the next slide. This is giving the details of the Stage 3 account as on March ‘23. So the loan outstanding as well as the provision mentioned against each loan account has been given here. So there are a few accounts which we are expected to resolve during the coming year, that is in FY '24. And most probably, the list of those accounts, maybe the Meenakshi is the one account. The one is the Vento Power, which we may looking for the change in promoter. These things are going on. We may expect the resolution for the IL&FS loan account, where the company has close to Rs. 2,500 crores in their TRA account. And so these are the key accounts which we will be expected to be resolving within the financial year '25, in this financial year.

Next slide. It is a credit snapshot. This is the synopsis of the net NPA levels and the gross NPA and the stage 3 account. So net NPA level from the beginning of the financial year, which were around Rs. 387 crores. Against that, we have around Rs. 306 crores. So there is a reduction of around Rs. 81 crores in the net NPA account in this financial year, which has a good thing. And the gross NPA is almost close to that Rs. 724 crores and Rs. 716 crores. So there is a reduction of Rs. 8 crores. The next slide, Abhinav. This is the few CSR initiative undertaken by the company helping.

Abhinav Goyal: So double social responsibility we are performing. So we not only performing our social responsibility in terms of project we are funding, but also in terms of infusing or utilizing part of our profit for the upliftment of the society or for various social purpose. I guess I may like to request MD sir around this aspect, if he may elaborate more, especially that Assam one, which is a very peculiar project which we have undertaken. Over to you, sir.

Dr. Pawan Singh: Yeah. So thank you, Abhinav. So we don't have huge funds like many of the companies, large companies, especially public sector ones have. But we have a small profit which we make. But we have been very wisely and very selectively using for the good of environment and society. That is what we have been able to do. And the projects which we take, we have tried to detail that with our business model.

So environmental, sustainability and United Nations sustainability development goals, that we have tried to integrate. So people of Delhi, many of you are not from Delhi. Few are only there. And in the winters, there is a huge problem of stubble burning. And air quality really falls down. But those who have to visit Delhi, sometimes avoid visiting Delhi also.

So we have been able to adopt about 30,000 hectares of land under the COP or residue management along with CII Foundation. And impact of that, last year, the impact of stubble burning was much less than what it used to happen in previous years. In Alwar, we have taken up check dam projects. And because of that, the farmer land, which was semi-arable, has become, they were able to grow only very, very rough crops, now are able to grow vegetables. And instead of a single crop, they are able to grow two to three crops every year.

Then in Delhi, in the Okhla area, waste management, we have cleaned up the colonies and juggis and jhopdis and made it much more cleaner. The recent project which we are now undertaking is a white-winged duck. Now, it is one of the most endangered species in the world. There are only 400 birds left. It's the state bird of Assam. But unfortunately, the rhino takes most of the time of the state, not any other species or animal.

So we have taken up this. And only 200 are left. They are there in Arunachal and Assam. And 200 are there in a neighbouring country, Bangladesh, Myanmar, and so on. So in fact, we are trying to protect the habitat. And we are trying to also increase the breeding so that this does not become extinct. Like today, great Indian buster is no longer a great Indian buster. It is not there. So that is what we are trying to do.

So we have tried to very, very selectively do something which is closer to environment, which is closer to society, mankind. We are all into cycle. We don't realize it, living in big cities. But our life is so much connected to value chain of plant life, animals, water bodies. And that is the, not only this. I mean, we started with many other corporate sectors, both in the crop residue management and also in this. Now, many of the companies in Delhi want to pick-up one animal or bird of one of the states to kind of preserve.

So thank you.

Abhinav Goyal: Next slide is about our Board of Directors. MD sir has already explained it. Their experience, their expertise, their value, which they are also bringing in our system. And this second last one is your information only. So it's share holder information only, how you are valuing in a company and we are quite having a confidence that in coming time, we would be getting more value from your side. So before we go to last slide, a copy of this presentation is also being available in hard form. So if anyone wishes to have a copy, he may collect it from Mr. Jaymeen, on the last chair. So he is sitting there. So it may be collected from him.

So thank you so much. Sir, with your kind permission, we may open for question-and-answer-session. So we are now open for question and answer. Anybody wish to have any question, may please ask.

Analyst: You alluded to the point that loan growth has been struggling. Would you like to give some guidance on what you can expect in the current financial year given the kind of sanctions that are already existing and what probably is in the pipeline?

Sitesh Sinha: Yes, for FY ‘24, we are targeting sanction around Rs. 6,000 crores with a disbursement Rs. 5,000 crores. And with net prepayment and repayment about Rs. 2,300 crores, we are targeting to reach about Rs. 9,000 crores of book size. And as of now, we have already committed undisbursed portion of around Rs. 1,200 crores. Apart from that, we have the business pipeline, which are under various stages of due-diligence. That's roughly about Rs. 4,500 crores. So that we are very positive that in coming quarter, we'll do much faster and aggressive manner. We'll try to achieve the most. We'll try to address this area of reduction in book size.

Analyst: So then comes the point of where will the money come from? One of the things that Mr. Pawan referred to was that you have some loan coming through, some money coming through from the IFC. But apart from that, also your bank credit limits were frozen. So how soon will they open? Where will the funding for you come from? And what cost of funding will be incremental costly? And how will it play out on your spreads?

Management: Yes, I think, Abhinav will answer that.

Abhinav Goyal: Yeah, so funding would be coming from, of course, banks, only mainly from PSU Bank. We are in discussion with a couple of global institutions also. As mentioned by Dr. Singh also, we are in an advanced stage of raising $50 million from one UK-based institution. Now, in terms of borrowing cost, of course, you all must agree that the cost has gone up over a period of last one year in the market in general. So the reflection of that has already been reflected in our financial, whereas it was 7.66% last quarter, which we increased to 8.11%.

Now, we are perceiving that there could be some further 50 bps to 70 bps increase in our borrowing cost in coming time. But whatever be the increase in our portfolio in terms of borrowing cost, we would be in a position to pass it on to our customers.

Analyst: So how do you see the spread spanning out? I mean, you think they'll be maintained at the same 2.5, 2.6, or do you think they'll go back to the 3.1, which you have achieved? If you go back to that presentation, you'll see that spreads have come down. So where do you see the spreads in this?

Abhinav Goyal: So spread is one aspect. I think I should speak more about the NIM. So it has gone up from 4% to 4.35%. I guess it would be in the range of around 4% only. So that would continue. Of course, with the increase of our portfolio in coming time, that would be having a very positive impact on our profitability. That would go up in terms of more leverage on our balance sheet. So as of now, our debt equity ratio is just 2.09, which I should say is best among all the NBFCs operating in the country.

So ideally, it should be at least four or five times. So that much cushion has been available to us. Now, if we go, suppose, by just two times only, so it would be around Rs. 4,000 crores to Rs. 5,000 crores additional business. Now, you would be knowing that more than me. So just calculate and then visualize the impact that would be on our bottom line.

Analyst: Correct. And the last question comes on the provision side. And there's one more slide which shows that there's still quite a bit of provisioning that could be required. And if you see also, there was one NPA that probably hit your account this year, I mean, this quarter, because you saw from Q3 to Q4, there was an increase in gross and net NPAs. So can you give us some idea on the credit costs going forward as well, what you are seeing it as, and what your plan on doing that?

Abhinav Goyal: So three aspects. So one is, yes, there is one account, which is Vento Power, which has become NPA. Now, this account is a partly commissioned renewal power project, which means there is a short revenue. Of course, the revenue is not matching the dues. So whatever the revenue being generated from the project, partly dues will be served for PTC Financial. So, whatever be the probability of loss, we are following ECL since long. So that has already been provided in our financial. That is one.

Now, in terms of ratio, this gross NPA and this net NPA, 9.68% and 4.38%. So, if we look at our financial, we were at Rs. 13,321 crores. Now from Rs. 13,221 crores in this quarter, we are Rs. 7,339 crores. So since last 6, 7, 8 quarter, we were continuously declining. It is the first quarter where there is a nominal increase. So there is a bottom-up in our portfolio, that means bottom has already been achieved. And now there is a probability of growth in our portfolio. Now, if the portfolio grows further, then the percentage will automatically come down. Now, third aspect is…

Analyst: Percentage coming down is yes. I'm saying what do you expect as the credit cost to be?

Abhinav Goyal: Yes, that is third aspect. So third aspect, I request our CFO sir to kindly guide us.

Sanjay Rustagi: So the provision has been made as per the ECL model. So how ECL model works? So ECL model takes into account what is the expected realization in times to come. And based on that information we made a provision. So it is the best estimate on which we have made a provision, unless and until things change drastically, so I would not expect anything major to come in the times to come.

Analyst: So now that PTC investment has been put on hold, disinvestment has been put on hold, so what are the plans of PTC for our company? Do they want to divest our stake, or do they want to continue with our investment?

Dr. Pawan Singh: So as far as PTC, its relationship with PFS is concerned, they will continue to maintain whatever stake they have. They have no plans of getting divested, but they have sanctioned. They have another board, they have not sanctioned. My board has approved raising of Rs. 500 crores capital, which we may reap at appropriate time.

I told last time also, because with the current valuation and the current debt equity/ratio and current debt capital adequacy, there is no urgency to raise this money. But this are enabler which is available. To that extent, yes, when we raise this Rs. 500 crores, then percentage of share will come down. But they're not going to dilute.

Management: So once we are having a question, we may have a brief introduction in terms of name and the organization to whom you are belonging. So as we may have a more acknowledgement of your kind institution.

Analyst: Now, congrats on the excellent results. Now looking at it, there are two parts. The first half and the second half. First half actually where you are not allowed to function in a normal course because of board issues which related to operational issues. And the second half where now the profitability has returned back. Third quarter, fourth quarter and some stability and you are now stepping up plans for expansion.

In fact, we welcome the new ED and I have very high expectations from you for supporting MD, Mr. Pawan Singh who has really put his heart and soul into the job. Now looking at two parts. One is the financial part. Second is that core issue's part which is coming from the quarterly report. One is, we saw that from borrowings of Rs. 7,000 crores we have come down to Rs. 5,000 crores year-to-year.

Then you explained about your plans for the current year some Rs. 5,500 crores increase will come and you mentioned $50 million from one London based party. What is a bank borrowing figure which is expected to come in the financial report in FY '24 based on your calculation. Then I'll come to other issues. If you can just answer that, borrowing figure?

Sanjay Rustagi: It will be close to Rs. 7,000 odd crores again.

Analyst: Okay, from Rs. 7,000 crores to Rs. 5,000 then we will recover to Rs. 7,000?

Sanjay Rustagi: Because if I have to increase my portfolio to Rs. 2,000 crores. So I have to borrow Rs. 2,000 crores because there will be some retain earning, there will be certain dividends. Which I am paying back to the shareholders. So more or less it will be in the range of Rs. 2,000 crore.

Analyst: Good. We saw your presentation spread from Q3 to Q4 has come down because you are not able to fully pass on the increase in cost in terms of yield?

Sanjay Rustagi: There will be always some lag between the cost incurred by me and I will pass on. Because as per our company policy, there is a PFS benchmarked policy and as per that policy I need to take cognizance of what is my cost of borrowing for the quarter or month, once I calculated on a robust number then I will be able to pass on it to my borrower.

Analyst: What is the yield expected? Average during the FY ’24?

Sanjay Rustagi: If I talk about the yield what we are expecting that 11% is the yield. Because…

Analyst: Spread I am talking about -- 11%?

Sanjay Rustagi: Spread may be 2.5 to 2.75, because it is a very dynamic environment and sometime there will be a lag between the pass on cost, suppose my cost of borrowing increases by 50 basis, I increases by 50 basis the cost of lending, the yield portion. But there will be a time lag I have to bear that cost for that in between.

Analyst: So for growth we are sacrificing some yield in a short term, so would we have increase in core fee income this year we have seen fee income how it is effectively flat now what banks institutions make up by way of processing charges etc ?

Sanjay Rustagi: I just give you a little bit brief on it. So, the fee you are looking at the additional source of income for me the fee is the prepayment fee which I am getting once the borrower make the prepayment. The other fee like bank, because they are using the IGAP methodology, so the fee they earn during the year they are recognizing into the P&L account. Being the NBFC and I am maintaining my books of account as per the IndAS so in case of IndAS I need to amortize that fee over a period of time during the entire tenure of the year.

So suppose if I am taking a fee of 1%, I am giving a loan of 15 years I cannot recognize the entire 1% in the year of receipt. I need to recognize that 1% fee income over a 15 period of years. So there will not be major impact on my profitability and fee is not part of…

Analyst: So, we expect growth to come through higher leverage from a very conservative leverage of two times and excellent underwriting skills that will you know contain to credit cost minimal and then which will lead to higher popularity and higher dividends also as you assured. In fact we appreciate the Rs. 1 you have given it's a token PTC gave interim dividend and they have announced final dividend, two dividends so hopefully next year you will give two dividends.

Now I will come to core corporate issues which has been raised in the quarterly report although it has improved from the last two, but it shows some concerns. I was wondering why? It talks about show cause notices and in terms of SEBI and also MCA one is it talks about some MCA some show cause notice of 2018 which was replied by the committee after consideration within one month.

So why identify third parties it is mentioned, some complaints were identified third party made in 2018 and some period of March date is mentioned and in April after a few days it was considered and a reply was given. Why and which has no financial implications? So why this Lodha and company has issued this old, haunting investors to see there is no violation on financial impact, identified third party and which has been responded it doesn't relate to this quarter also. So why should it continue or what is the reason behind it because the Board would have considered we find that note actually totally frivolous and unnecessarily raising concern among people who don't know or who are not interacted with you because we interacted with you, we would support you fully because you explained to us the facts of the case.

Here it is mentioned it creates alarm, maybe LIC knows about it 2% they are holding, Quant mutual fund also this Sandeep guy is there, he knows about it maybe will be interacting with you or your IR and he has not sold off, but this 2018 matter, Is it relevant to the financial reporting and statements then I'll come to the next one?

Sanjay Rustagi: This is best to my knowledge year 2018, because that notice come in year 2018 then company respond in year 2018. Then they again raise certain more queries in lieu of the company's reply in 2020 after a gap of around two years. So there is a time lag between the company response and the notices received or the communication received from the ROC.

Why the Lodha and company has mentioned there is no financial impact because the 2018 or 2020 whatsoever letter has come that has containing the case of NSL Nagapatnam and if you see I have made the 100% provision in that account and that is in my view that is the reason Lodha & company has given from that so called notice, no material impact.

Analyst: Who are these unidentified third parties? Who identify third parties?

Sanjay Rustagi: The name were not disclosed us by the MCA that is Company Secretary will know much more than that.

Analyst: Are they expected to be Independent Directors before there was a scene?

Dr. Pawan Singh: No. there were certain complaints which were made in 2018 to MCA this was in regard to the -- then erstwhile management and this was done by some individuals, it is not related to ideas some individuals had complained, so that the MCA had sent to us board and audit committee considered and we have replied in 2020 as he says again some reference was sent back to us and we had again sent from the board of people we have sent the replies to the MCA.

Analyst: Second is. it talks about the RMC of PFs your parent company PTC India is supposed to give some clear report in respect of the show cause notice issued by SEBI. So, is that matter done and over?

Dr. Pawan Singh: Initially when we -- if you remember our Board was put to standstill and they said that you can reconstitute your Board after meeting two conditions. Number one, the RMC report of PTC submitted. Number two forensic audit is completed by CNK in PFS. So these two things were completed, when they were completed SEBI allowed us to reconstitute our Board, which we have done. So, RMC report is in the context of the constitution of our Board.

Analyst: So, what we are looking at these two SCN matters show cause which we are talking before the meeting this has actually now no relevance for the quarter statements. What we expect now, this is done, it can't be reversed. In the future quarterly reports, do we expect these statements will not be there? Because there is no need for it to be there for the quarterly results. These are all historic matters which have been resolved totally clearly?

Sanjay Rustagi: Auditors are saying, since these matters communication is still going on, till the time the communication is -- some query came so that is the reason, so that is the reason, they put it into their remarks or in the notes.

Analyst: I am talking about future quarters?

Sanjay Rustagi: So future quarters, it will totally depend upon how the things shaped up. In case, if it has been settled or we have not getting any query from them, it might be deleted or either will be able to explain it to the…

Analyst: Hopefully, yes. Enquiry having material financial impact, otherwise no. Not the correspondence matter?

Sanjay Rustagi: It has been clearly mentioned, there is no material financial impact for these transactions. In fact, they have mentioned it.

Analyst: The next is on this forensic audit which came out by the CNK, a very comprehensive one which was actually very poorly drafted and in bad taste, but it was called the interim forensic audit report? So, is it the final forensic audit report is a matter closed or they want to keep it hanging?

Abhinav Goyal: Sir, this forensic audit matter has already been closed. So initially, they had given the interim report then they had given the final report. And then it is already been considered by our board and thereafter we had this Q1, and Q2 and Q3 financial results.

Analyst: Great. So matter is closed now?

Management: Yes.

Analyst: So no issue which will come up in reporting?

Management: It is a history for us.

Analyst: Okay. Now, what I would suggest to you, the annual report will come up any time. Annual report you must try only the relevant information having financial material impact of the company during the year are recorded. You must try fully with this auditor and convince them because this is raising alarms among the lenders also, your accounts get frozen and all that, you know, SEBI, RBI everybody looks through it.

So have only those clauses which have financial material impact, those notes you should be willing to include and which they have a right to audit. They can't insist on notes which are not relevant, which are not relevant to material financial reporting. This is just a suggestion. You try it should work.

Another point, lastly. I saw in one of the points it is mentioned in respect of one show cause notice, this is a personal matter, you are putting your heart and soul in the job, the notice may be addressed to you whatever they have written because you are the executive on the board and you will reply personally that is the way it has been worded in the notes to accounts, ultimately the company is liable for all acts you are doing. Company has to fully support you.

There is no such thing as it's a personal communication and you have to personally respond. You are not -- if there are allegations on misdemeanor, it is not on you. If you are doing misdemeanor then it is different you have to compensate, but otherwise you are an officer of the company and you are doing all work on behalf of the company. It was mentioned in the notes accounts matter is personal and you will reply personally. So, if it is done in good faith then with actually, we fully support you but you should not be held personally liable. You should clearly communicated about it's not a personal thing.

Management: I would like to have your point but I have to clear….

Dr. Pawan Singh: I really appreciate the way you are putting things across and lot of things are also getting clearer to us by your observation. And thank you very much for that. The board is fully supporting us that's no denying, but like you have said probably I think in our wherever we are communicating to regulator probably, we have to be more explicit the way you have suggested.

Analyst: Thanks. And I am happy, last time it suggested about the minutes which were not being recorded and you have written in the quarterly reports, those minutes have been completed there was a gap and minutes are completed you can't hold those people who are absent they can't hold up the minutes. So that's a good step so in future also I believe now we are in the quantum we take the quantum jump. And once again I would request you should be there for the next five years and steer the company and take it on the next level. All the best.

Dr. Pawan Singh: Thank you again for your good wishes, but it's entirely the board and the shareholders to decide.

Analyst: Hello, sir. Thank you for the opportunity. I just wanted to have some data-keeping questions. So there were two rate hikes that were done in March. So, I just wanted to know the extent of the rate hikes, what is the possible impact that it might have on the NIMs, and if we think that, it might improve above 4.35% that is at current level? Thank you.

Abhinav Goyal: So, as we mentioned in our earlier dialogue, there is in general interest rate hike in the market and Reserve Bank of India increased the rates in past. In turn, bankers have increased the rates in past and then in turn we have to increase the rates. So as to pass on the additional burden to our customers. So, we are not visualizing any impact be it positive or be it negative on our NIM because of those rate hikes.

Dr. Pawan Singh: I would like to enter that. So you know, it's a very relevant question which you have asked and I must answer it correctly. So you said that two rate hikes have happened, I said that in March two rate hikes have happened, which there was a lag between – {25bps repetition}one January 25 bps another in March 25 bps. 50 bps have happened. So straight away on my yield, there will be a 50 bps increase which will happen.

Now, when I calculate my NIM, is my interest income minus interest expense divided by my loan asset. So that is how I calculate my NIM. So naturally, when my interest income increases by increasing that point, there will be an improvement in the NIM. The corresponding increase will happen. So, impact of that will depend on three variables, the loan asset, the difference in that but also to the extent how much what happens that is why NIM is a good indicator. Sometimes, NIM also has to be read with spread. So sometimes it can be illustrative, it can be misleading and sometimes it can be so it has to be read along with spread. But effectively, on my spread I will be increasing 50 bps, straight away.

Abhinav Goyal: So in case anyone has any questions please ask or we may conclude it today with request to our MD sir for having a closing remarks.

Dr. Pawan Singh: Thank you very much. Wonderful interaction. And there was a little bit of dilemma for us that we should have on the whether we should have a interaction here or we should have interaction through a call, but I feel that it is you know when I come here I learn more than what I share with you. So, this is an opportunity I feel that we should not lose and we would always like to come here because there is learning from you to us and many ideas also we get from you. And I must thank you for that.

And also, the feedback from you gives us lot of hope and encouragement because when we have gone through little ups and downs in the previous time which we are now out of it, but during that time also, the shareholders stood by us supported us and I am really grateful that not only you supported us, but that you were able to see the right that is your capability that you were able to see the right. And you were able to support the right thing that is a wonderful thing which has happened for this company.

Going forward, yes, I think, the things look much more promising than what they were in, each quarter we have tried to you know come out of the issues and challenges and now probably we are in the situation where we will be able to steer and move in a direction where what we vision which we have for this company. One is of course crisis management, overcoming obstacles and challenges and problems that I think at least that front, I will not be modest I will try to tap my back and my team. Because that is what we have been able to do, but our capability lies in steering the company forward take this company to new height and shareholder has put his money and there should be always something on the plate and we are determined to do that. So thank you very much.

Abhinav Goyal: Thank you so much. So we have make arrangement for small…

Dr. Pawan Singh: Yes, request you to please join us for -- join us so that we can also interact there informally. Thank you so much.

Abhinav Goyal: Thank you.

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Note: *This document has been edited to improve readability.*